

Setting Sail on Ports System Reforms

THE FULL GOVERNMENT RESPONSE TO THE INDEPENDENT REVIEW OF THE VICTORIAN PORTS SYSTEM



Authorised by the Victorian Government
1 Spring Street
Melbourne Victoria 3000
Telephone (03) 9655 6666

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Contact us if you need this information in an
accessible format such as large print or audio,
please telephone (03) 9655 6666 or email
community@transport.vic.gov.au

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Executive Summary

Victoria's ports are gateways to international markets. Today's daily essentials, from cars to clothing; petrol to prams; masks to mattresses, almost exclusively reach Victoria's shores via its ports. Likewise, around \$26 billion worth of Victorian goods are exported annually, primarily through the ports system. Victoria's businesses and people rely on ports, making an efficient and resilient ports system essential to Victoria's economy and liveability.

Victoria's ports are also nationally significant assets, enabling vital export opportunities to businesses in New South Wales, Tasmania, and South Australia. Our ports are a key entry point for imported products, making Victoria a national distribution hub for other States and Territories. The essential role of Victoria's ports have been further evidenced during COVID-19, as the Port of Melbourne was used for the import of critical products such as personal protective equipment (including masks and surgical gowns), pharmaceutical products and long-lasting food products.

The Port of Melbourne is the largest port for containerised and general cargo in Australia, handling around 36 per cent of Australia's container trade. The Port of Geelong is the sixth-largest Australian port by tonnage, responsible for approximately \$7.8 billion of trade each year. The Port of Portland is the largest sustainable hardwood woodchip port in the world while the Port of Hastings is a key entry point for bulk liquid imports.

Victoria's ports system has undergone significant changes in the past 30 years. The ports of Geelong and Portland were sold to private companies and the Port of Melbourne Authority was commercialised during the 1990s. These commercialisation

processes culminated in the 50-year lease of the Port of Melbourne in 2016.

From a governance perspective, this transaction resulted in the State's commercial ports each having their own individual arrangements. This is a legacy of gradual commercialisation processes that commenced in the 1990s and continued through the Russell Review in 2001, which introduced several stages of new governance structures designed to support open markets and competition. As the ports were commercialised and privatised, the organisational structures have become increasingly complex and no longer fit for purpose to support the State's economic policy outcomes. By 2020, there were 12 public entities governing Victoria's four commercial ports and 14 local ports.

In 2016 the Port of Melbourne transaction separated port operations. Waterside operations were transferred to the state-owned Victorian Ports Corporation (Melbourne)(VPCM), and landside operations were leased to the Port of Melbourne Operator (PoMO). The leasing of the Port of Melbourne also reduced the State's direct access to in-house ports' sector expertise and ability to deliver a breadth of ports policy outcomes. This has not been replaced by alternative capability since.

The complexity of this legacy of commercial reforms since the 1990s led to a need to review arrangements to ensure they remained fit for purpose to deliver on the Government's economic objectives. To address this, the Minister for Ports and Freight announced the Independent Review of the Victorian Ports System (the Review) in January 2020.



The Review Process

The Review's purpose was to investigate and recommend any strategic policy and governance framework reforms needed to maximise the ports' economic and community benefits. Mr Mark Curry, a longstanding ports and maritime specialist, was appointed to deliver the independent Review.

Industry engagement was an important part of the Review. The formal consultation process, which commenced in early February 2020, included over 40 targeted stakeholder sessions with more than 80 individual stakeholders across Victoria. Participants included port users, service providers, regulators, port owner/operators, and port-neighbouring local councils.

This consultation informed the Review's Discussion Paper, which was released for public comment on 10 July 2020. The closing date for submissions was extended to 14 August 2020 due to the COVID-19 pandemic. The Discussion Paper included targeted questions around the key issues and concerns raised during the initial consultation process. Over 70 written submissions were received. These stakeholder views and considerations were a key factor in the Review's final findings and recommendations.

The Review Findings

The Review found that, since 1995, the commercial ports' governance arrangements have gone from being a highly centralised system to one that is now governed by nine entities. This fragmentation has impacted the State's ability to plan and coordinate its responsibilities in providing safe, efficient, and effective functioning of the ports system.

The Review also found that current arrangements for the regulation of navigational safety in the ports system are unnecessarily complex and inconsistent across the different commercial trading ports. This relates to key operational safety roles such as harbour masters' functions and pilotage and towage services. The lack of clarity about roles and accountabilities for port users and stakeholders is resulting in key operational safety roles being inconsistently and unreliably delivered, potentially undermining safe port operations and posing significant reputational risk to the State Government.

The review also investigated governance and management arrangements for local ports. The Review acknowledged the lack of clarity and complexity of current governance models. Over the long term, it recommended reform arrangements which separate the oversight and management of local ports from commercial trading ports and combine them with enhanced arrangements for waterway management.

The Review makes a total 63 recommendations to Government. As outlined in the initial Government response, which was released 25 February 2021, **Appendix A** provides a response to each of the Review's recommendation.

An Overview of the Government's Strategy For Ports

The Review provides an impartial roadmap for this once-in-a-generation reform opportunity. While the Government remains focused on supporting competition and ensuring open market access, where appropriate, Victoria's response to the Review signals Victoria has progressed to a stewardship role of the ports system. This stewardship role more accurately reflects the need for the State to support recent privatisation processes with policy oversight and tools to safeguard and preserve key port operations. This approach balances the benefits of competition with the policy levers needed to deliver the State's economic, community and future-proofing objectives.

The COVID-19 pandemic, which began while the Review was under way, highlighted some specific safety related challenges caused by the inefficiencies of the ports system. It demonstrated that the Victorian Government had limited ability to influence or ensure the provision of key port operations functions that do not strictly relate to navigational safety, such as pilotage and towage. Pilotage and towage are essential port services. Without these, ports operations are jeopardised.

This new phase of the State's ports management has three key components:

1. The creation of Ports Victoria, which combines the functions and responsibilities of Victorian Regional Channels Authority (VRCA) and VPCM.
2. The new Victorian Commercial Ports Strategy, which will further define the Government's stewardship role, outlining the key steps in ensuring the future of Victoria's commercial ports.
3. Local ports and waterway management reforms to more effectively support and enable the high economic and community value of local ports.

These reforms clearly articulate the Government's intention for its ports and provide the consistent narrative needed to set the appropriate strategic context for the development of the new Commercial Ports Strategy. At the same time, this work ensures the effective integration of the individual policy and planning issues that emerged since 2016, including the governance arrangements for state-owned entities, the regulation of pilotage and towage services, and the pricing and access arrangements at the Port of Melbourne.



1. Ports Victoria

1.1 Rationale

On 25 February 2021, the Minister for Ports and Freight announced the creation of Ports Victoria, which combines the functions of VRCA and VPCM. Ports Victoria is a central recommendation of the Review, supporting the overarching, strategic planning and clear governance arrangements needed to deliver the State's future port reforms. The new entity will be responsible for the State's commercial ports' port waters and channels, by consolidating the State's strong operational and delivery expertise with the policy tool kit needed to support the State's new, stewardship role of the ports system.

To achieve this, Ports Victoria will invest in the skills needed to guide the future of the ports sector. The new entity will complement the VRCA and VPCM's existing operational and delivery expertise by reinvigorating the State's in-house ports planning and industry expertise. This will provide the on-the-ground insights and industry analysis needed to effectively advise the Government on how to best deliver the State's ports policy objectives.

There was strong stakeholder support for this – including from the VRCA and the VPCM. Ports Victoria is a significant step in resolving what stakeholders consistently identified in the Review as confusing and duplicative governance structures. This complexity is again a legacy of past privatisation processes. These skills, once housed in the Port of Melbourne Corporation, were largely transferred to the private sector when the Port of Melbourne was leased. Ports Victoria will bridge this gap, by overseeing some of the policy levers identified in the Review, such as pilotage and towage, as the necessary steps to deliver the State's ports policy outcomes.

Ports Victoria will be based in Geelong. Ports Victoria's charter, which will be legislated under the *Transport Integration Act 2010*, will require that the entity gives due regard to the State's regional commercial ports and regional development priorities.

1.2 Policy Reforms

The Review outlines key areas of policy reform, to define the Government's role more clearly and consistently in relation to various port operations and safety functions.

While Ports Victoria will be responsible for managing port waters and channels safety around each of the State's commercial ports, each port manager will remain responsible for the planning and delivery of commercial operations at their respective ports. Key reform areas are outlined below.

1.2.1 Towage and Pilotage

The State supports all recommendations relating to towage and pilotage.

Pilotage and towage services are an essential part of port operations, which are delivered by a small number of highly qualified providers. While harbour masters have clear responsibility and powers to ensure navigational safety in their ports, the Review found there is some uncertainty around the ability to set more general port specific rules which, whilst they may support safety, may be rules designed more to support efficiency, emergency response planning or other operational outcomes. This means, for example, that there is no formal mechanism to oversee or otherwise ensure that commercial ports operations are always occurring safely beyond navigational safety matters or to ensure continuity of critical, emergency management functions such as firefighting.

To reflect the state's commitment competition policy, separate, non-exclusive pilotage and towage licensing regimes will be established current arrangements. This will allow Ports Victoria to provide greater advice and support to industry stakeholders on towage and pilotage matters. The Director, Transport Safety will retain their existing role of setting licensing conditions for pilots and as the overarching regulator of navigational safety.

To reflect the State's commitment to competition policy, Ports Victoria will issue a licence to any pilotage or towage service provider that meets minimum licence standards. Ports Victoria will also have the ability to directly procure towage and pilotage services itself if services are not being provided until suitable commercial arrangements are re-established.

1.2.2 Harbour Masters and Navigational Safety

The State is committed to legislative changes that provide Ports Victoria with overall responsibility for overseeing consistent roles and accountability for harbour masters across the State. This responds to the Review finding that, while our ports are being safely managed, there are some current oversight arrangements that are, at times, unclear across multiple governance bodies. The Review recommended some targeted reform to give Ports Victoria a specific role overseeing the operational performance of the State's harbour masters to ensure their safety roles and functions will be reliably and consistently applied across Victoria's commercial ports.

Port of Portland Ltd (PoPL) and Gippsland Ports Committee of Management Inc (Gippsland Ports) will continue to employ a harbour master directly. Ports Victoria will work with these organisations to give effect to new auditing and reporting requirements which will be added to the licenses issued to harbour masters by the Director, Transport Safety. These new conditions will require all harbour masters to directly report to Ports Victoria on a range of critical safety matters and incidents.

1.2.3 Port Development Strategy (PDS)

The PDSs will remain a significant component of port planning. Throughout the Review, stakeholders indicated strong support for the PDSs, both as a land-use planning tool and to communicate to industry the port manager's development intent for the port.

To strengthen the State's ports system planning, and respond to stakeholder feedback, the new Victorian Commercial Ports Strategy (the Strategy) will complement the PDSs by providing a State-wide, whole-of-ports system approach to port planning. This will more effectively reconcile individual port planning with the State's economic, planning and transport policy by clearly outlining the Government's vision, role, and priorities for the ports system. During the development of the Strategy, the Government will seek further stakeholder input on how to best enable alignment between the Strategy and PDSs.

Ports Victoria will also lead cross-government work to provide port managers with economic projections to support more consistent and robust trade guidance ahead of PDS development. Ports Victoria will oversee and support the port managers throughout the PDS development process and provide advice to the Minister for Ports and Freight on the PDSs. For the Port of Geelong, the *Ports Management Act 1996* will be amended to make GeelongPort Pty Ltd (GeelongPort) the port manager responsible for preparing the PDS for the Port of Geelong, under the oversight of Ports Victoria.

For the next round of PDS development in 2023, the entities' responsible for PDS development will be:

1. PoMO for the Port of Melbourne.
2. Port of Hastings Development Authority (PoHDA) for the Port of Hastings.
3. PoPL for the Port of Portland.
4. GeelongPort for the Port of Geelong.

1.2.4 Market Rent Inquiry 2020

By focusing on the public sector governance arrangements of the ports system, the Review did not investigate or respond to the Port of Melbourne Operator's (PoMO) commercial practices or market power. In its first *Market Rent Inquiry 2020*, the Essential Services Commission (ESC) found that PoMO had exercised its market power when setting and reviewing port rents to the detriment of Victorian consumers. The Department of Treasury and Finance, supported by the Department of Transport, is working with PoMO and port tenants to develop a voluntary negotiation framework that addresses the ESC's concerns. The Government response to the Review does not preclude Government from undertaking further reforms at the PoM.



1.3 Timing

Ports Victoria will be established in two stages to reflect the legislative processes needed to implement many of the reforms outlined in the Review.

On its establishment on 1 July 2021, Ports Victoria combined the current functions and powers of the VRCA and the VPCM. This is the first stage of Ports Victoria where it will have overarching responsibility for the port waters and channels of Victoria's commercial ports and continue to have responsibilities for the port waters of the Port of Hastings. There is no additional or lost functions as VRCA and VPCM transition into Ports Victoria.

Under its second stage of operations, Ports Victoria will commence its expanded, reform-orientated role. Legislation will be introduced into Parliament in early 2022 to amend the required Acts to deliver this more extensive role in the ports system. Examples of legislative changes that will commence under the second stage are the non-exclusive licensing regimes for towage and pilotage, changes to harbour master arrangements and the completion of Ports Victoria's charter. This is anticipated to be completed by 1 July 2022.

A summary of Ports Victoria's Charter

This is a draft overview of key elements to be captured in Ports Victoria's Charter. This will be confirmed through legislation in 2022.

Ports Victoria's objectives will encompass:

- Ensure that the State's port waters and channels are managed on a safe, fair, and efficient basis
- Promote and facilitate trade through Victoria's ports
- Support the strategic planning and development of the Victorian ports system
- Participate in the State Emergency Management Plan.

Ports Victoria's functions will encompass:

- Deploying, overseeing and supporting harbour masters
- Contributing to the strategic planning and development of individual commercial ports and the ports system as a whole
- Facilitating new trades and the growth of existing trades
- Providing maritime advice and expertise to local port and waterway managers
- Developing the cruise shipping industry in Victoria
- Providing information and education services about the Victorian ports system to stakeholders and the public
- Offering technical support to the local port system by sharing its expertise
- Ensuring a balanced approach to the needs of each Victorian port.



2. New Victorian Commercial Ports Strategy

2.1 Rationale

Victoria's commercial ports are vital infrastructure providing essential services. The COVID-19 pandemic, the greatest disruption to the movement of people and goods in generations, has emphasised the intrinsic role of ports in ensuring effective, secure, and robust supply chains.

The commercial lease of the Port of Melbourne has signalled a fundamental shift in the State's role in the ports system, which requires a reset on how the State enables its ports to deliver the goods needed to ensure the economic and social wellbeing of all Victorians.

While the State no longer manages and operates the Port of Melbourne, it retains responsibility for key determinants of port system effectiveness. Key examples of this include land-use and transport planning, facilitating trade links and supporting access to critical resources and goods.

The last State-wide commercial ports strategy was completed in 2004. Since then, strategic planning for Victoria's commercial ports has largely been undertaken at an individual port level, via a five-yearly Port Development Strategy (PDS), sometimes by individual port managers or tenants. The PDS provides important value by considering factors specific to the port, its region, and related catchments, however, it does not consider a State-wide view of the sector.

2.2 Purpose and Scope

The development of a new Victorian Commercial Ports Strategy (the Strategy) is a key response to the Review, actioning the industry desire for a State-wide vision for the sector.

The new Strategy will provide an overarching vision for the port system that clearly articulates the State's economic and resilience priorities and how this intersects with port operations. In doing so, the Strategy will communicate the importance of the sector, investigate port planning settings and economic outlook, and identify next steps, as appropriate, to deliver on these targets.

Developed over a 30-year horizon, the Strategy will provide clear direction on:

1. Bay West: establishment of protections to ensure future capacity, refinement of landside and waterside port options, relationship with Port of Melbourne capacity, and baseline data collection.
2. Trade demand: the Strategy will explore trade and industry trends impacting the sector and what infrastructure and policy responses may facilitate sector growth and resilience. This will particularly focus on the role of ports in enabling future energy security via such tasks as import of critical components for clean energy technology and providing access to offshore energy options.
3. Transport network capacity: providing detailed analysis of each commercial port's landside connectivity to ensure port capacity is not constrained.
4. Port of Geelong channel optimisation: Geelong's port competitiveness is currently constrained by its channel characteristics and depth.
5. Commercial port land-use protection: strengthen planning protections to prevent incompatible and sensitive land-use development in and around the port environs.
6. Other themes identified in the Review, such as Corner Inlet and potential commercial opportunities.

2.3 Consultation, Timing and Next Steps

Stakeholder engagement has, and will continue to be, a key component of the Strategy's development. Industry and stakeholders are invited to provide submissions on the scope or flag their interest for dedicated, upcoming engagement sessions to help set the direction of the Strategy.

Please use the Engage Victoria website <https://engage.vic.gov.au/victorian-commercial-ports-strategy> to share your thoughts on the Strategy by 30 September.

This Strategy is anticipated to be completed by 2022.



3. Local Ports and Waterways

3.1 Rationale

Victoria's local ports' assets, valued at over \$650 million, are significant enablers of regional economic growth and employment. Local ports generate over \$982 million per annum value-added through their support of tourism, marine activities, and related industries and support over 9,920 FTE jobs. Local ports are equally important community assets, providing recreational, and health and wellbeing value for large and small communities across Victoria.

Like its commercial ports, Victoria's local ports have undergone considerable change over recent decades. The Review's local ports findings seek to coordinate and provide greater economies of scale by sharing expertise and skills across local ports while protecting the benefits of local asset and system management more effectively.

There are 14 local ports managed by eight local port managers along the Victorian coastline. In addition, there are many local waterways managed by government and committees of management, tasked with legislative functions and regulatory obligations, often with very limited resources. The Review found that the coordination and oversight of local ports and waterways is complex, causing users to experience inconsistent facilities and services at their local ports and waterways.

3.2 Purpose and Scope

The Review identified an opportunity to assess the merits of alternative governance arrangements within government to support better local port and managed waterways outcomes. A key finding of the Review was that the oversight and management of local ports could be separated from commercial trading ports, and to combine them with improved arrangements for waterway management. The State acknowledges that the current management arrangements for local ports and waterways are confusing. At the same time, local ports have greater synergies with waterway management than with commercial trading ports.

The Department of Transport will commence work on identifying how best to streamline the local ports, land, and water management

functions across different legislation such as the *Marine Safety Act 2010*, the *Crown Land (Reserves) Act 1978* and *Port Management Act 1995*. Working to reduce confusion, duplication and unclear lines of accountability and responsibility will contribute to better outcomes for users and the community.

Guiding principles that the State will use to investigate and progress reforms to manage local ports and waterways more effectively include:

- Reducing legislative complexity and increasing role clarity between committee of management for Crown land reserves, local ports, and waterway management.
- Designing a funding model for government consideration that will seek to balance asset renewal and asset management and fiscal sustainability.
- To achieve the desired outcomes, engagement with community and traditional owners will be a key component of local ports and waterways reforms.

The State has already made a significant step in creating more streamlined management arrangements. In February 2021, Better Boating Victoria was merged with the Victorian Fisheries Authority (VFA), in recognition of the strong relationship between boating and fishing. This arrangement also supports greater alignment and coordination between the VFA's fish-stocking activities and the upgrades and maintenance of key boat launching facilities across the state that are needed to access those recreational fishing opportunities.

Government will consider further administrative changes to better integrate local port and waterway management arrangements. This work will be integrated with the actions of the Government's first Marine and Coastal Strategy, which is in development.

3.3 Timing and Next Steps

These reforms are targeted to progress over the coming years. This allows time for State Government to deliver cross-government engagement to design an appropriate governance model to support and deliver the local ports and waterways reforms outlined in the Review.

Sustainable Local Ports Framework

Victoria currently has eight local-port managers managing more than 2,100 related assets including safe harbours, breakwaters, slipways, piers, navigational aids and 36 vessels across 14 local ports. Victoria's local ports' assets, valued at around \$650 million, have been significant enablers of regional economic growth. The Government's Sustainable Local Ports Framework (the Framework) is an important first step in responding to the Review's recommendation for creating a sustainable funding model for the State's local ports assets.

The Framework applies a place-based approach to develop local port assets in a manner that complements their surrounding, and often thriving, local ports precincts. Key considerations for Government when applying the Framework include:

- **Local Economy and Jobs Growth:** To improve commercial viability and opportunities for new industry growth and business expansion. Allow investment in areas that the local community support and are interested in developing.
- **Tourism and Recreation:** Promote visitor attractions and growth in recreational boating with safe and accessible waterways and infrastructure to match demand.
- **Emergency Response:** Local ports have provided a critical role in emergency response situations in recent years and such functionality should be maintained / enhanced.
- **Community and Cultural Value:** Local ports should promote diversity of experience and allow people to share in an array of cultural experiences, to recognise, celebrate and learn about its indigenous values, past and contemporary heritage.

The Sustainable Local Ports Framework will be implemented via 'local port area plans', which will be guided by community and stakeholder engagement. The principles that will guide this place-based approach include:

- Identifying the key beneficiaries and providing principles for future investment.
- Highlighting the use of local ports infrastructure as public open space.
- Setting out a precinct-based planning approach which considers current and future needs.
- Incorporating stakeholder engagement in precinct planning to deliver agreed outcomes.
- Clarifying the State's role in assessing future investment.

'Local port area plans' will be developed in conjunction with port managers to allow prioritisation of asset investment based on the broader local port precinct. This will more effectively achieve economic, environmental and community outcomes.

To achieve this, further work and evidence gathering will include:

- Designing a funding model for government consideration that will seek to balance asset renewal and management and fiscal sustainability.
- Investigating essential services networks and infrastructure requirements.
- Developing guidelines for commercial fishing, recreational boating, and recreational access infrastructure.



Appendix A: Full Government Response

#	Recommendation	Response
1.	That the suggested vision statement and the stakeholder feedback on it for the current Review be taken into account by DoT in preparing the new Victorian Ports Strategy (VPS).	<p><i>Support. The Review findings and stakeholder responses will be incorporated into the State-wide strategy vision in the new Victorian Commercial Ports Strategy.</i></p> <p><i>The new Strategy is expected to be completed in 2022.</i></p>
2.	That the VPCM and VRCA be amalgamated to create a new State-owned port entity, the Victorian Ports Authority (the new Authority).	<p><i>Actioned. The new public entity Ports Victoria, announced on 25 February 2021, combines the functions and responsibilities of the VPCM and VRCA, and is responsible for waterside access, navigational control, and safety in Victoria's commercial ports.</i></p> <p><i>Ports Victoria operations commenced from 1 July 2021. By 1 July 2022, Ports Victoria's functions will be legislated.</i></p>
3.	That the new Authority be allocated overall responsibility for the channels and port waters of Victoria's four commercial trading ports, including primary responsibility for navigational control and safety.	<p><i>Support. Ports Victoria's charter is in development and will broadly reflect these recommended changes, which will be legislated in 2022.</i></p> <p><i>Ports Victoria will be located in Geelong.</i></p>
4.	That the object of the new Authority in its legislative charter be strengthened in relation to safety and efficiency to read "to ensure that port waters and channels are managed for use on a safe , fair and efficient basis", or similar.	
5.	That the new Authority be headquartered in Geelong with operational units outposted to the other commercial trading ports as required.	
6.	That the legislative charter of the new Authority be drafted to ensure that, in performing its functions, it gives due regard to the infrastructure development needs of the regional ports and the State's regional development objectives.	
7.	That the new Authority be empowered to discharge its responsibilities and carry out its functions either directly or, where appropriate, through arrangements established with an identified commercial port manager.	

#	Recommendation	Response
8.	That the new Authority assume responsibility, on behalf of the State, for the Channel Operating Agreement for the Port of Portland currently in place with the port's private operator, the Port of Portland Pty Ltd (PoPL)	<p><i>Support. The Channel Operating Agreement for Portland remains and PoPL will continue to employ the Portland harbour master. The new arrangement refers to the amended harbour master licensing conditions outlined in recommendation 17 which provides for greater State-wide consistency and accountability for port safety operations.</i></p>
9.	That under this new arrangement, PoPL continue to employ the harbour master for the Port of Portland, subject to additional accountability requirements between the Portland harbour master and the new Authority.	
10.	<p>That the new Authority also be mandated to:</p> <p>provide technical advice and support to local port and waterway managers;</p> <p>provide navigational control and safety services in State waters outside port waters;</p> <p>facilitate trade through the Victorian ports system;</p> <p>facilitate the development of cruise shipping in Victoria; and</p> <p>promote an improved understanding of the role and operations of the Victorian ports system amongst stakeholders and the general community.</p>	<p><i>Support. Ports Victoria will have functions reflecting its overarching responsibility to support and enable effective port system activities across the State. This includes to:</i></p> <ul style="list-style-type: none"> <i>• Provide a harbour master role, where requested or directed, to support navigational safety in local ports.</i> <i>• Provide advice to the relevant Minister and Department on any action that may be needed to more effectively facilitate trade across each of its commercial ports.</i> <i>• Increase the profile and understanding of the ports system among stakeholders and the community.</i> <p><i>By bringing together the VRCA and VPCM, Ports Victoria will have expertise in hydrographic survey, dredging program design, procurement, and marine asset management. Ports Victoria will be mandated in its legislative charter to support local port managers by providing technical advice and support on these matters. Further information is provided recommendation 36.</i></p>

#	Recommendation	Response
11.	That the new Authority retain responsibility for the management of Station Pier, pending the identification of a suitable alternative manager.	<i>Support. Ports Victoria is currently responsible for the management of Station Pier.</i>
12.	That, subject to an identified planning or project approval trigger event, the portions of the lands and waters of the local port of Corner Inlet and Port Albert identified as necessary to support commercial port operations be declared as a commercial trading port under section 6(e) of the Port Management Act 1995 and be named the "Port of Corner Inlet" under section 6(a).	<i>Support. The local port of Corner Inlet and Port Albert (hereafter shortened to Corner Inlet) currently remains a local port managed by Gippsland Ports. As noted by the Review, there are significant potential opportunities for new and emerging industries in Gippsland, including sustainable energy projects, such as wind and hydrogen, that may require Corner Inlet channels to be designated as a commercial trading port.</i>
13.	That the new Authority be allocated responsibility for overseeing the management of the channels and port waters of the Port of Corner Inlet.	<i>Subject to the timing of these or other developments, Government will consider declaring the shipping channel of Port of Corner Inlet and potentially also land-side areas, a commercial trading port.</i>
14.	That the new Authority enter into a Channel Operating Agreement for the Port of Corner Inlet under which Gippsland Ports (GP) would continue to manage the channels and navigation aids of the port and collect channel fees.	<i>Refining of current arrangements via a channel operating agreement (similar to PoPLs) will be investigated.</i>
15.	That based on the advice of the new Authority, after consultation with TSV and GP, the Minister determine whether the harbour master should be employed by the new Authority or should continue to be employed by Gippsland Ports.	<i>The Director, Transport Safety's future assessment for when Corner Inlet is reaching the threshold for pilot required waters will be a key input into determining when it will be declared a commercial trading port. This decision will largely be based on the number and size of commercial vessels using Corner Inlet.</i>

#	Recommendation	Response
16.	<p>That the new Authority be established as the primary port entity in the State responsible for employing, deploying, supervising and supporting harbour masters.</p>	<p><i>Support. Ports Victoria will be the primary entity for ensuring consistent roles and accountability for harbour masters across the State.</i></p> <p><i>Overarching harbour master licence audit and reporting conditions will continue to be set by the Director Transport Safety, with oversight provided by Ports Victoria. This approach recognises the priority of safety and accountability, while recognising the importance of local ports experience.</i></p> <p><i>PoPL and Gippsland Ports will continue to engage a harbour master directly. Ports Victoria will work with PoPL and Gippsland Ports and the Director, Transport Safety to give effect to the licensing auditing and reporting requirements identified in the Review.</i></p>
17.	<p>That, subject to adoption of Recommendation 9, through amendment to licence conditions, the Port of Portland harbour master be required to:</p> <ul style="list-style-type: none"> a) report immediately on any near misses or incidents in the port (and any remedial action taken) to the new Authority; b) report periodically on performance against specified operational safety metrics for the port to the new Authority; c) comply with navigational safety standards or codes developed and promulgated from time to time by the new Authority; d) participate in State-wide or regional advisory or coordination processes as required by the new Authority; and e) participate in training and/or professional development programs as required by the new Authority 	<p><i>Support. Port of Portland will continue to employ its harbour master, with amended audit and reporting conditions as stipulated by the recommendation and set by the Director, Transport Safety. Ports Victoria will ensure consistent safety oversight across the ports system while recognising the importance of regional ports experience.</i></p> <p><i>Dredging and navigational standards and Codes of Practice will be continued to be developed by Director, Transport Safety.</i></p> <p><i>As noted in the response to 16, PoPL and Gippsland Ports will continue to engage a harbour master directly. Ports Victoria will work with PoPL and Gippsland Ports and the Director, Transport Safety to give effect to the licensing auditing and reporting requirements identified in the Review</i></p>
18.	<p>That the licence conditions for the harbour master currently employed by GP be amended to establish additional accountability requirements between the harbour master and the new Authority, the same or similar to those applied to the Portland harbour master.</p>	<p><i>As noted in the response to 16, PoPL and Gippsland Ports will continue to engage a harbour master directly. Ports Victoria will work with PoPL and Gippsland Ports and the Director, Transport Safety to give effect to the licensing auditing and reporting requirements identified in the Review</i></p>

#	Recommendation	Response
19.	That, subject to the authorisation of the Safety Director (TSV), the new Authority be empowered to deploy harbour master resources to Victorian State waters outside declared port waters, including managed and unmanaged waterways.	<i>Support in principle. Consideration will be given to most appropriate mechanism to authorise and appoint a licensed harbour master for all coastal waters. Consideration will include resourcing requirements.</i>
20.	That the pilotage registration provisions in Part 7.1 of the Marine Safety Act 2010 (MSA) be replaced by a new non-exclusive licensing scheme for pilotage services in all of the commercial trading ports.	<p><i>Support. A new non-exclusive licensing scheme for pilotage services at all commercial trading ports will be established.</i></p> <p><i>Under the new scheme, the Director, Transport Safety will retain their regulatory oversight and auditing role and responsibility for developing appropriate training standards, including auditing of any duty holder.</i></p> <p><i>Ports Victoria will be required to issue a licence to any pilotage service provider that was able to meet the standards and requirements set out under the licensing scheme.</i></p>
21.	That the scheme be administered by the new Authority in its capacity of primary responsibility for navigational control and safety in all of the commercial trading ports.	
22.	That the scheme requires the new Authority to use its best endeavours to ensure that licensed pilotage services are at all times available to service ships in 'pilot-required waters' in the commercial trading ports.	
23.	That, should there be a gap in service availability in a particular port, the new Authority be empowered to directly procure or provide pilotage services until a suitable commercial service provider can be found.	
24.	That the new Authority be required to issue a licence to any pilotage service provider that is able to meet the standards and requirements specified under the new scheme.	
25.	That the Safety Director (TSV) retain responsibility for the professional licensing of individual pilots, developing appropriate standards for the training of pilots and pilot-exempt masters and related matters.	
26.	That the Safety Director (TSV) be responsible for auditing the new licensing scheme and the performance of the new Authority in administering the scheme.	

#	Recommendation	Response
27.	That the towage regulation provisions in Part 4A of the Port Management Act 1995 (PMA) be replaced by a new non-exclusive licensing scheme in the Marine Safety Act 2010 (MSA) for towage service providers in all of the commercial trading ports.	<i>Support. A non-exclusive licencing scheme will be established to replace the current provisions in the PMA. The regime will be based on the principle that Ports Victoria (or a delegated port operator) is best placed to ensure operational continuity of towage services under general licence conditions set by the Director, Transport Safety.</i>
28.	That the scheme be administered by the new Authority in its capacity of overall responsibility for navigational control and safety in all of the commercial trading ports.	<i>The new regime will support operational and safety standards, and ensure that, where possible, licensed towage services are available at all times in commercial trading ports.</i>
29.	That the new scheme require the new Authority to use its best endeavours to ensure that licensed towage services are at all times available to service ships in the port waters of the commercial trading ports.	<i>Ports Victoria will be empowered to directly procure towage services if a service availability gap exists until a suitable commercial operator is found.</i>
30.	That, should there be a gap in service availability in a particular port, the new Authority be empowered to directly procure or provide towage services until a suitable commercial service provider can be found.	<i>Support. To support competition, Ports Victoria will be required to issue a licence to any towage service provider that is able to meet the standards and requirements set out under the licensing scheme.</i>
31.	That the new Authority be required to issue a licence to any towage service that is able to meet the standards and requirements specified under the new scheme.	<i>Support. Under the new scheme, the Director, Transport Safety will retain their regulatory oversight and auditing role.</i>
32.	That the Safety Director (TSV) be responsible for auditing the new licensing scheme and the performance of the new Authority in administering the scheme.	

#	Recommendation	Response
33.	That Gippsland Ports continue to operate in its current form, managing the local ports to the east of the State.	<p><i>Support. The current arrangements remain as specified for Gippsland Ports and Parks Victoria. DOT will continue to work with DELWP and GORCAPA to progress current consolidation processes.</i></p>
34.	That Parks Victoria continue to manage the local ports of Port Phillip and Western Port, in their current configuration.	
35.	That from 1 December 2020, GORCAPA progress consolidation of local port management within its area of responsibility, in consultation with the current local port managers.	
36.	That the proposed Victorian Ports Authority (the new Authority) be mandated in its legislative charter to provide technical support and expertise to local port managers on a no-fee basis, on request or as directed by the Minister.	<p><i>Support. Note that further work is required to develop a sustainable and resourced model which may include some cost recovery under certain circumstances.</i></p>
37.	That the functions and powers of local port managers be amended under Part 2A of the Port Management Act 1995 to clarify that, subject to the approval of the Minister, a local port is able to apply its services and resources outside its declared port areas on a commercial basis or as requested in providing assistance to other local port managers.	<p><i>Support. The Port Management Act 1995 will be amended to allow local ports to, with the approval of the Minister, allow use of their services and assets outside their declared ports areas.</i></p> <p><i>This recognises the State-wide benefit of deploying particular local ports services or assets, such as hydrographic survey capabilities, to provide access to expertise for less-resourced local ports and waterway managers.</i></p>

#	Recommendation	Response
38.	That the Government reform arrangements for the oversight and management of local ports to separate them from commercial trading ports and to combine them with enhanced arrangements for waterway management.	<p><i>Support in principle. The Government acknowledges that commercial trading and local port roles are very different and that the current management arrangements for local ports and waterways are confusing. Streamlining the local ports and water management functions, as relevant, across different legislation such as the Marine Safety Act 2010, the Crown Land (Reserves) Act 1978 and Port Management Act 1995 will be an important part of reducing current confusion and unnecessary duplication.</i></p> <p><i>Government will investigate and progress reforms to manage local ports and waterways more effectively including:</i></p> <ul style="list-style-type: none"> <i>Reducing legislative complexity and increase role clarity between committee of management for crown land reserves and local ports managers.</i> <i>Developing a more sustainable asset management strategy for local ports, which involves 'local-port area plans' to prioritise asset investment based on the broader local port precinct to more effectively achieve economic, environmental and community outcomes. These will be developed with community and stakeholder engagement.</i>
39.	That to support these new arrangements: a) an agreed vision and purpose be developed for managed waterways (including local ports); b) a separate State strategy be developed for managed waterways (including local ports); c) a new, sustainable funding model be developed for managed waterways (including local ports); and d) existing legislative and regulatory frameworks be reviewed and revised to separate commercial trading port management functions from waterway (including local port) management functions and to separate waterway management functions from marine safety regulatory functions.	<p><i>Further work will include designing a funding model for government consideration that will seek to balance asset renewal and management and fiscal sustainability.</i></p> <p><i>Engagement with traditional owners will be a key component of the local ports reform processes.</i></p>
40.	That, in the short term, a new administrative unit be created within DoT to oversight administration of managed waterways, including the current local ports.	

#	Recommendation	Response
41.	<p>That the boating facilities management function of BBV be incorporated into the responsibilities of the new administrative unit, which would then be responsible for overseeing the State's administration of:</p> <p>a) all managed waterways; b) all local ports (as a category of managed waterways); and c) boating facilities infrastructure (in its capacity of providing access to managed waterways).</p>	<p><i>Support in principle. The Review's intention was that better coordination was required for boating facilities to ensure better outcomes. While the Review was under way Government acted on this recommendation by merging Better Boating Victoria with the Victorian Fisheries Authority (VFA) to support more streamlined management arrangements.</i></p> <p><i>Further administrative arrangements to deliver on the goal of this recommendation in relation to local ports and managed waterways are still be considered.</i></p>
42.	<p>That, as a subsequent stage of reform, the Government establish a new statutory authority, the Victorian Waterway Management Authority (VWMA), to administer and further develop the above functions.</p>	<p><i>Support in principle. A new statutory authority represents a medium- to long-term option for consolidating local port and waterway management. As noted above, Better Boating Victoria has been merged with the Victorian Fisheries Authority (VFA), to support more streamlined management arrangements. Following the merger of Better Boating Victoria with the Victoria Fisheries Authority, Government will consider further administrative changes to better integrate local port and waterway management arrangements. This work will be progressed as a part of policy work currently under way to deliver the Government's Victoria's Marine and Coastal Strategy.</i></p>
43.	<p>That the proposed roles, objects and functions for the new Victorian Ports Authority (the new Authority) be used as a basis for its establishment in legislation.</p>	
44.	<p>That the proposed roles, objects and functions for the new Victorian Waterway Management Authority (VWMA) be used initially as a basis for the establishment of a consolidated administrative unit within DoT and be further developed as a basis for the ultimate establishment in legislation of the new VWMA.</p>	

#	Recommendation	Response
45.	That the Port Development Strategy (PDS) provisions in the PMA be retained.	<p><i>Support. DOT will work with the Department of Treasury and Finance (DTF) and the Department of Jobs, Precincts and Regions (DJPR) to develop a methodology and agree assumptions underpinning future trade projections. Once established in legislation, Ports Victoria work with all ports to prepare State-wide trade projections in consultation with DTF and DJPR and in collaboration with DOT.</i></p> <p><i>All ports will continue to prepare a PDS in accordance with the current PDS cycle. However, legislation will be amended so that the PDS for the Port of Geelong will be prepared by GeelongPort rather than Ports Victoria. Ports Victoria will provide oversight of the PDS development process.</i></p>
46.	That the State Government (DoT) commission the preparation and periodic updating of trade assumptions and projections for Victoria's ports system and make them available to the responsible port authorities as a common reference platform for the preparation of PDSs.	
47.	That the SEMP provisions in the PMA be retained.	<p><i>Support. DoT will work with key stakeholders to ensure that the SEMP Ministerial Guidelines effectively and appropriately respond to recent legislative and regulatory changes, including relevant functions related to the functions of the Director, Transport Safety. The Department will determine the most appropriate arrangements for reviewing and updating SEMP arrangements, following completion of the next audit cycle due in 2022.</i></p>
48.	That a review of the Ministerial Guidelines for SEMPs be undertaken by DoT as soon as practicable and include, inter alia, consideration of the implications for ports of the new 'general environmental duty' (GED) in the Environment Protection Act 2017.	
49.	That, in reviewing the Ministerial Guidelines for SEMPs, priority be given to the principles of: a) minimising duplication of systems and effort; b) making practical allowance for scalability in proportion to different levels of complexity and risk at different ports; and c) maximising coordination of risk assessment and management across responsibility boundaries within ports.	

#	Recommendation	Response
50.	That the Minister for Ports and Freight write to the Minister for Planning, seeking agreement to establish a committee under s151 of the <i>Planning and Environment Act 1987</i> to advise on measures to improve protections for commercial trading ports from encroachment of incompatible uses, including but not limited to reviewing the boundaries for the 'port environs' and the planning scheme controls which apply within them.	<i>Support in Principle. The Minister for Ports and Freight and the Minister for Planning will work together to formally review the protections for commercial trading ports. This may be undertaken through establishing an advisory committee, or another formal mechanism. Stakeholder engagement will inform the final design on how the review is undertaken. Work will include consideration of the recent implementation of the Buffer Area Overlay into the planning scheme.</i>
51.	That the Government, in consultation with Melbourne Water and Wyndham City Council, settle and implement an approach to identifying and securing the necessary land for Bay West in the State's planning system as soon as practicable.	<i>Support. The Victorian Commercial Ports Strategy will include action to protect Bay West as Victoria's next major port development.</i>
52.	That the Government progress strategies and initiatives to promote coastal shipping through the forthcoming Victorian Ports Strategy (VPS).	
53.	That the Ministerial Guidelines for the preparation of Port Development Strategies (PDSs) be amended to require responsible port authorities to explicitly address the potential to grow coastal shipping in the preparation of the PDSs for their ports.	<i>Support. The Victorian Government notes the major role of Commonwealth policy and regulation in supporting coastal shipping. The Victorian Government will work with the Commonwealth, the commercial trading ports and Ports Victoria to ensure alignment with recent inquiry into Australian shipping and investigate opportunities to sustainably develop coastal shipping.</i>
54.	That the Government consider the development of a separate, complementary "Victorian Coastal Shipping Strategy" to encompass the broader range of Government industry policy settings and initiatives necessary to progress the growth of coastal shipping in Victoria.	

#	Recommendation	Response
55.	That the State Government (DoT) prepare and publish a new Victorian Ports Strategy (VPS) as soon as practicable, without compromising its quality and robustness.	<p><i>Support. Government will prepare a Victorian Commercial Ports Strategy which respond to the Review recommendations and cover:</i></p> <ul style="list-style-type: none"> • <i>Bay West Planning Protections.</i> • <i>Transport network capacity analysis for land-side infrastructure.</i> • <i>Land-use protections for ports.</i> • <i>The role of Ports Victoria will support a whole-of-ports system view, ensuring a more integrated approach with ports strategic planning and investment for the Victorian ports system.</i> <p><i>The trade projection data produced through this process will also provide a common reference platform for preparation of PDSs. Through their individual PDS, port managers will still be able to pursue individual port development opportunities.</i></p> <p><i>Actioned. The VPPM formally commenced in mid-2020.</i></p>
56.	That the new VPS: be founded on sound economic analysis and trade projection data; involve thorough consultation with port managers and stakeholders; have a thirty-year time horizon; and be designed to accommodate periodic reviews and updating as new conditions and data emerge.	
57.	That DoT (Freight Victoria) develop and implement additional mechanisms to ensure effective coordination and alignment between the new VPS and individual PDSs prepared by relevant port authorities.	
58.	That the Government, through DoT (Freight Victoria), finalise the current design of the VPPM in consultation with relevant industry stakeholders and proceed with implementation as soon as practicable.	

#	Recommendation	Response
59.	That, as a subsequent phase of implementation, the design of the VPPM be expanded to include shipping line Terminal Handling Charges (THCs).	<p><i>Support in Principle. The Government will continue to refine the implementation of the VPPM, including working with the National Transport Commission on its current national review of price monitoring.</i></p>
60.	That the voluntary standards approach represented by the VPPM be kept under review and that formal price regulation be reconsidered should Terminal Access Charges (TACs) emerge as a key driver of increased stevedore profitability.	
61.	That, initially, regular port-sector engagement be instituted in the form of a bi-annual port roundtable event, hosted by the Minister, with a broad invitation list to a wide range of port-sector stakeholders.	<p><i>Support. An annual port round-table event hosted by the Minister for Ports and Freight has been in place since 2020.</i></p>
62.	That the design of the agenda for each round table event be flexible and adapted to ensure that the priority needs and interests of stakeholders are adequately addressed.	
63.	That, subject to a review of the effectiveness of this approach, an additional standing advisory committee structure be designed and implemented.	<p><i>Support. The Government will consider opportunities for a formal ministerial advisory committee as part of its stakeholder engagement processes.</i></p>

